

The Gazette of India

EXTRAORDINARY PART II—Section 2 PUBLISHED BY AUTHORITY

No. 58] NEW DELHI, MONDAY, DECEMBER 19, 1960/AGRAHAYANA 28, 1882

LOK SABHA

The following Bills were introduced in Lok Sabha on the 19th December, 1960:—

*BILL NO. 94 OF 1960

A Bill further to amend the Industrial Finance Corporation Act, 1948.

BE it enacted by Parliament in the Eleventh Year of the Republic of India as follows:—

1. This Act may be called the Industrial Finance Corporation (Amendment) Act, 1960. Short title.

15 of 1948. 5 2. In section 2 of the Industrial Finance Corporation Act, 1948 (hereinafter referred to as the principal Act), in clause (c), for the words “in the manufacture or processing of goods”, the words “in the manufacture, preservation or processing of goods” shall be substituted. Amendment of section 2.

10 3. In section 4 of the principal Act, after sub-section (7), the following sub-section shall be inserted, namely:— Amendment of section 4.

31 of 1956. 15 ‘(8) In this section the expression “insurance companies” or “insurance company” includes the Life Insurance Corporation of India established under section 3 of the Life Insurance Corporation Act, 1956.’.

4. In section 11 of the principal Act, for sub-section (4), the following sub-section shall be substituted, namely:— Amendment of section 11.

“(4) Directors shall be paid such fees as may be prescribed for attending the meetings of the Board and, if they are members

*The President has, in pursuance of clause (1) of article 117 of the Constitution of India, recommended to Lok Sabha the introduction of the Bill.

of the Central Committee or any other Committee appointed by the Corporation, for attending meetings of such Committee:

Provided that nothing in this sub-section shall apply to the Chairman or to any other Director who is a servant of the Government."

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Amendment
of section
23.

5. In section 23 of the principal Act,—

(1) for sub-section (1), the following sub-section shall be substituted, namely:—

"(1) The Corporation shall, subject to the provisions of this Act, be authorised to carry on and transact the following kinds of business, namely:—

(a) guaranteeing, on such terms and conditions as may be agreed upon,—

(i) loans raised by industrial concerns which are repayable within a period not exceeding twenty- 15
five years, and are floated in the public market;

(ii) loans raised by industrial concerns from scheduled banks or State Co-operative Banks;

(b) guaranteeing, on such terms and conditions as may be agreed upon, deferred payments due from any 20
industrial concern—

(i) in connection with its import of capital goods from outside India; or

(ii) in connection with its purchase of capital goods within India: 25

Provided that no guarantee under sub-clause (i) shall be given without the prior approval of the Central Government;

(c) guaranteeing, on such terms and conditions as may be agreed upon, loans raised from, or credit arrange- 30
ments made with, any bank or financial institution in any country outside India by industrial concerns in foreign currency:

Provided that no such guarantee shall be given without the prior approval of the Central Government; 35

(d) underwriting the issue of stock, shares, bonds or debentures by industrial concerns;

5 (e) acting as agent for the Central Government or, with its approval, for the International Bank for Reconstruction and Development in the transaction of any business with an industrial concern in respect of loans or advances granted, or debentures subscribed, by either of them;

(f) subscribing to the stock or shares of any industrial concern;

10 (g) receiving in consideration of the services mentioned in clauses (a) to (f), such commission as may be agreed upon;

15 (h) retaining as part of its assets any stock, shares, bonds or debentures which it may have to take up in fulfilment of its underwriting liabilities, so however that it disposes of the stock, shares, bonds or debentures so acquired as early as practicable but in no case, the stocks, shares, bonds or debentures so acquired shall be retained beyond a period of seven years from the date of such acquisition, except with the permission of the Central Government;

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(i) granting loans or advances to, or subscribing to debentures of, industrial concerns, repayable within a period not exceeding twenty-five years from the date on which they are granted or subscribed to, as the case may be;

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30 Provided that nothing contained in this clause shall be deemed to preclude the Corporation from granting loans or advances to, or subscribing to debentures of, an industrial concern, which may at the option of the Corporation be convertible into stock or shares of that concern within the period the loan, advance or debenture is repayable; and

35 (j) generally, the doing of all such matters and things as may be incidental to or consequential upon the exercise of its powers or the discharge of its duties under this Act.”;

40 (2) in sub-section (2), for the words, brackets, letters and figure “clauses (a) and (e) of sub-section (1)”, the words, brackets, letters and figure “clauses (a), (b), (c) and (i) of sub-section (1)” shall be substituted.

Amendment
of section
24.

6. In section 24 of the principal Act,—

(1) for the words, brackets, letters and figure “clauses (a) and (e) of sub-section (1)” the words, brackets, letters and figure “clauses (a) and (i) of sub-section (1)” shall be substituted;

(2) for the proviso, the following proviso shall be substituted, namely:—

“Provided that the aforesaid limit of one crore of rupees may be exceeded with the prior approval of the Central Government.”.

Amendment
of section
26.

7. In section 26 of the principal Act, clause (b) and the proviso shall be omitted. 10

Amendment
of section
42.

8. Section 42 of the principal Act shall be re-numbered as sub-section (1) of that section and after sub-section (1) as so re-numbered, the following sub-section shall be inserted, namely:—

“(2) Every rule made under this section shall be laid, as soon as may be after it is made, before each House of Parliament while it is in session for a total period of thirty days which may be comprised in one session or in two successive sessions, and, if, before the expiry of the session in which it is so laid or the session immediately following, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be, so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.”. 15 20 25

STATEMENT OF OBJECTS AND REASONS

It has been found from experience gained by the Industrial Finance Corporation in its working since 1957 when the Act was amended last, that it is necessary to amend the Act in certain respects. Under clauses (a) and (aa) of sub-section (1) of section 23 of the Act, the Corporation can guarantee loans floated by industrial concerns in the market and also guarantee, with the approval of the Central Government, deferred payments due for import of capital goods from abroad. The Corporation, however, cannot guarantee loans raised by an industrial concern from scheduled banks or State Cooperative Banks; the result, sometimes, is that the concerns which have already mortgaged their assets to the Corporation are unable to offer suitable security to banks for accommodation. The Corporation has also now no power to guarantee deferred payments for acquisition of capital goods made in India. This has an inhibiting effect on development of indigenous manufacture of capital goods. Then again, as the Corporation is not authorised now to guarantee foreign exchange loans sought by Indian concerns from institutions abroad, the concerns sometimes find it difficult to obtain credit owing to their inability to find suitable guarantors. It is, therefore, proposed to amend section 23 suitably, so as to enable the Corporation to guarantee the loans raised by industrial concerns from scheduled banks or State Cooperative Banks, the deferred payments for acquisition of capital goods manufactured in India and the credit arrangements made by industrial concerns from foreign financial institutions.

2. The Corporation is not authorised to subscribe directly to the share capital of an industrial concern although it can underwrite the issue of stock, shares etc., and retain, up to seven years, without Government permission and longer with Government permission, such stock, shares etc., as it may have to take up in discharge of its underwriting obligations. Cases arise where concerns apply to the Corporation for substantial loans although they would need smaller loan or none at all if they approach the public for capital with an assurance that the Corporation would subscribe to a portion of the issue. It is, therefore, proposed to enable the Corporation to make direct subscription to the stock/share capital of industrial concerns.

3. Under the existing provisions of the Act, the Corporation is entitled only to the repayment of loans/debentures with stipulated interest and cannot share the profits of an industrial concern, which has been the recipient of substantial financial assistance in the shape of loans or debentures. The new provision referred to in paragraph 2 above will pave the way for the Corporation to subscribe to the

shares of an industrial concern where the terms of the loan granted to it or the terms of debentures issued by it enable the Corporation to convert such loans or debentures into shares.

4. Under the provisions of section 24, the Corporation cannot grant loans or advances to or subscribe to debentures of industrial concerns where the total amount exceeds one crore of rupees unless the Central Government, on the recommendation of the Corporation, guarantee the repayment of such loans, advances or debentures and the payment of interest thereon. Government owns 20% of the share capital of the Corporation and has guaranteed the balance of the share capital and all the bonds issued by the Corporation; it is therefore felt that there is no particular advantage gained by the Government guaranteeing over again, loans/debentures exceeding one crore of rupees advanced or subscribed by the Corporation to a single industrial concern. It is, therefore, proposed to amend the provisions suitably dispensing with the provision regarding the Central Government guarantee and substituting in its place the prior approval of the Central Government being obtained before the Corporation grants loans or subscribes to debentures exceeding the aforesaid limit.

5. The existing clause (c) of section 2 of the Act defines an industrial concern as one which is engaged or to be engaged in the manufacture or processing of goods, etc. This leaves out the cold storage industry. It is proposed to enlarge the above definition to include concerns engaged or to be engaged in preservation of goods also.

6. The Bill seeks to achieve these objects. Opportunity has also been taken to incorporate some other amendments which are found necessary for the smooth working of the Corporation or are of a consequential or procedural nature. The notes on clauses appended to the Bill explain the provisions thereof.

NEW DELHI;

MORARJI DESAI.

The 14th December, 1960.

Notes on Clauses

Clause 2.—This clause seeks to include industrial concerns engaged or to be engaged in the preservation of goods within the definition of "industrial concern".

Clause 3.—It seeks to clarify that insurance companies include the Life Insurance Corporation of India.

Clause 4.—As there is a doubt as to whether a director of the Corporation other than the Chairman and officials of the Government is entitled to fees for attending meetings of any committee appointed by the Corporation, it has become necessary to make specific provision for payment of fees to such directors for attending meetings of such committee.

Clause 5(1).—Under section 23(1) (a) and (aa) the Corporation can guarantee loans floated by industrial concerns in the market and guarantee, with the approval of the Central Government, deferred payments due for import of capital goods from abroad; the Corporation, however, cannot guarantee loans raised by industrial concerns from scheduled banks or State Co-operative Banks with the result that, sometimes the concerns which have already mortgaged their assets to the Corporation are unable to offer suitable securities to banks etc., for accommodation. It has also no power to guarantee deferred payments for acquisition of capital goods made in India. Further the Corporation is not authorised at present to guarantee loans/credits in foreign currency sought by an industrial concern from foreign financial institutions. The concerns which may need foreign exchange loans or credits are handicapped owing to their inability to find suitable guarantors. The sub-clause therefore seeks to authorise the Corporation to guarantee (a) loans raised by industrial concerns from scheduled banks or State Co-operative Banks, (b) deferred payments for purchase of capital goods manufactured in India and (c) credit arrangements made by industrial concerns with foreign financial institutions.

The Corporation can under section 23(1) (b) and (d) underwrite issue of stock, shares etc. of industrial concerns and retain up to seven years without Government's permission and longer with Government's permission, such stock, shares as it may have to take up in fulfilment of its underwriting obligations. But the Corporation

cannot directly subscribe to the share capital of any concern. It is felt that if an industrial concern approaches the public for capital with an assurance that the Corporation would subscribe to a portion of it, the industrial concern can reduce its requirement for loans from the Corporation substantially if not avoid it altogether. It is thus proposed to authorise the Corporation to make subscription to the capital of an industrial concern directly.

With a view to enabling the Corporation to share in the prosperity of an industrial concern which has been the recipient of substantial assistance from the Corporation, the clause will pave the way for the Corporation to grant such loans or subscribe to such debentures which are at the option of the Corporation also convertible into shares of industrial concerns.

The clause further provides for the Corporation receiving commission for all types of business including those now proposed.

Clause 5(2).—The sub-clause seeks to bring within its ambit further types of business referred to in clause 5(1).

Clause 6.—The Central Government owns 20% of the share capital of the Corporation and has guaranteed the balance and has also guaranteed all the bonds issued by the Corporation; it is therefore felt that there is no particular advantage gained in guaranteeing over again the loans or advances granted, or debentures subscribed to, by the Corporation to any one industrial concern when such amount exceeds Rs. one crore either singly or in the aggregate. The ~~clause therefore seeks to substitute the existing guarantee provision in the proviso to section 24 by providing for prior approval of the Central Government. The clause~~ further makes consequential change in that section as a result of amendments proposed in clause 5.

~~*Clause 7.*—It is consequential to the amendments proposed in clause 5(1).~~

Clause 8.—The amendment made to section 42 by this clause is in accordance with the present practice.

BILL NO. 89 OF 1960

A Bill further to amend the Indian Telegraph Act, 1885 and the Indian Wireless Telegraphy Act, 1933

BE it enacted by Parliament in the Eleventh Year of the Republic of India as follows:—

1. This Act may be called the Telegraph Laws (Amendment) Act, 1960. Short title.

13 of 1885. 5 2. In the Indian Telegraph Act, 1885 (hereinafter referred to as the Telegraph Act), in section 3, for clause (1), the following clause shall be substituted, namely:— Amendment of section 3.

10 ‘(1) “telegraph” means any appliance, instrument, material or apparatus used or capable of use for transmission or reception of signs, signals, writing, images and sounds or intelligence of any nature by wire, visual or other electro-magnetic emissions, Radio waves or Hertzian waves, galvanic, electric or magnetic means;

15 *Explanation.*—“Radio waves” or “Hertzian waves” means electro-magnetic waves of frequencies lower than 3,000 gigacycles per second propagated in space without artificial guide:’

3. In section 7 of the Telegraph Act,—

(i) in sub-section (2), after clause (j), the following clause shall be inserted, namely:— Amendment of section 7.

20 “(jj) the qualifications to be possessed and the examinations, if any, to be passed by the persons employed for the

establishment, maintenance or working of any telegraph and the fees to be charged for admission to such examinations;";

(ii) for sub-section (5), the following sub-section shall be substituted, namely:—

"(5) Every rule made under this section shall be laid as soon as may be after it is made before each House of Parliament while it is in session for a total period of thirty days which may be comprised in one session or in two successive sessions, and if, before the expiry of the session in which it is so laid or the session immediately following, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule."

Amendment
of section 2.

4. In the Indian Wireless Telegraphy Act, 1933 (hereinafter referred to as the Telegraphy Act), in section 2,—

(a) for clause (1), the following clause shall be substituted, namely:—

'(1) "wireless communication" means any transmission, emission or reception of signs, signals, writing, images and sounds, or intelligence of any nature by means of electricity, magnetism, or Radio waves or Hertzian waves, without the use of wires or other continuous electrical conductors between the transmitting and the receiving apparatus;

Explanation.—"Radio waves" or "Hertzian waves" means electro-magnetic waves of frequencies lower than 3,000 gigacycles per second propagated in space without artificial guide;";

(b) for clause (2A), the following clause shall be substituted, namely:—

'(2A) "wireless transmitter" means any apparatus, appliance, instrument or material used or capable of use for transmission or emission of wireless communication;';

Amendment
of section 10

5. In the Telegraphy Act, in section 10, after sub-section (3), the following sub-section shall be inserted, namely:—

"(4) Every rule made under this section shall be laid as soon as may be after it is made before each House of Parliament

while it is in session for a total period of thirty days which may be comprised in one session or in two successive sessions, and if, before the expiry of the session in which it is so laid or the session immediately following, both Houses agree in making any
5 modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so however, that any such modification or annulment shall be
10 without prejudice to the validity of anything previously done under that rule.”.

STATEMENT OF OBJECTS AND REASONS

With the introduction of television in India, it has become necessary to licence the possession and working of television apparatus. Although the definition of "telegraph" in the Indian Telegraph Act, 1885 and the definition of "wireless communication" in the Indian Wireless Telegraphy Act, 1933 appear to be wide enough to cover transmission and reception of visual images by television, it is considered desirable to place the matter beyond controversy by a suitable amendment of these two Acts. Opportunity has also been taken to amend section 7 of the Indian Telegraph Act, 1885 so as to take power to prescribe by rules the qualifications for persons employed in establishing, maintaining or working wireless telegraph systems, the examinations to be passed by them and the fees to be charged for admission to such examinations.

NEW DELHI;

P. SUBBARAYAN.

The 15th November, 1960.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 3 of the Bill which seeks to amend section 7 of the Indian Telegraph Act, 1885, confers on the Central Government the power to make rules prescribing the qualifications to be possessed and the examinations, if any, to be passed by the persons employed in the establishment, maintenance or working of any telegraph and the fees to be charged for admission to such examinations. These are matters of detail and the delegation of legislative power with respect to them is of a normal character.

M. N. KAUL,
Secretary.

